

**GRAVITY DRAINAGE DISTRICT NO. 7
OF CAMERON PARISH
CAMERON PARISH POLICE JURY
CAMERON, LOUISIANA
COMPONENT UNIT FINANCIAL REPORT
DECEMBER 31, 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/14/09

GRAVITY DRAINAGE DISTRICT NO. 7
OF CAMERON PARISH
CAMERON PARISH POLICE JURY

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GRAVITY DRAINAGE DISTRICT NO. 7
OF CAMERON PARISH
CAMERON PARISH POLICE JURY

December 31, 2008

BOARD OF DIRECTORS

Curtis Trahan - President
Ivan Barentine - Vice President
Ricky Romero - Secretary/Treasurer
Rogerest Romero - Board Member
Ernest Carol Trahan - Board Member

McELROY, QUIRK & BURCH

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09820.000Cameron Parish Gravity #7Audit 12/31/08 financial report

Carl W. Comeaux, CPA
Gus W. Schram, III, CPA, CVA
Robert M. Gani, CPA, MT
Mollie C. Broussard-Duncan, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA

Michael N. McGee, CPA
David M. DesOrmeaux, CPA

MQB

Otray J. Woods, Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Inactive
Barbara Hutson Gonzalez, CPA, Retired
Judson J. McCann, Jr., CPA, Retired
Martin L. Chehovsky, CPA, CFE

CFE - Certified Fraud Examiner
MT - Master of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Gravity Drainage District No. 7
of Cameron Parish
Cameron Parish Police Jury
Cameron, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Gravity Drainage District No. 7 of Cameron Parish, a component unit of Cameron Parish Police Jury, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Gravity Drainage District No. 7 of Cameron Parish as of December 31, 2008, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2009 on our consideration of Gravity Drainage District No. 7 of Cameron Parish, Louisiana's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 21 through 23 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Gravity Drainage District No. 7 of Cameron Parish has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cameron Parish Gravity Drainage District No. 7's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mrs. Elroy Quirk & Branch

Lake Charles, Louisiana
September 23, 2009

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 230,915
Investments	398,792
Ad valorem taxes receivable	296,362
Prepaid insurance	5,996
Insurance claim receivable	<u>3,896</u>
Total current assets	935,961

NONCURRENT ASSETS

Capital assets (net)	130,504
Property held under capital leases (net)	<u>21,550</u>

Total assets 1,088,015

CURRENT LIABILITIES

Accounts payable	13,014
Due to governmental units	9,717
Current portion of obligations under capital lease	<u>5,260</u>
Total current liabilities	27,991

NONCURRENT LIABILITIES

Total liabilities 27,991

NET ASSETS

Invested in capital assets net of related debt	146,794
Restricted	33,148
Unrestricted	<u>880,082</u>

Total net assets \$ 1,060,024

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended December 31, 2008

	Functions/Programs		Total
	Administration	Drainage	
Expenses:			
Salaries and benefits	\$ 26,417	\$ 70,946	\$ 97,363
Materials and supplies	-	15,836	15,836
Maintenance and repairs	24,080	-	24,080
Operating services	32,189	57,677	89,866
Depreciation	-	19,122	19,122
Miscellaneous	5,039	11,535	16,574
Total expenses	\$ 87,725	\$ 175,116	262,841
General revenues:			
Ad valorem taxes			389,951
Interest income			18,978
Amortization of bond premium			(485)
Miscellaneous			18,896
Total general revenues			427,340
Change in net assets			164,499
Net assets - beginning			895,525
Net assets - ending			\$ 1,060,024

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH, POLICE JURY

BALANCE SHEET - GENERAL FUND
December 31, 2008

ASSETS

Cash and cash equivalents	\$ 230,915
Investments	398,792
Ad valorem taxes receivable	296,362
Insurance claim receivable	<u>3,896</u>
Total assets	<u>\$ 929,965</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 13,014
Due to governmental units	<u>9,717</u>
Total liabilities	<u>22,731</u>

Fund equity:

Fund balance:	
Reserved	27,152
Unreserved/undesignated	<u>880,082</u>
Total fund balances	<u>907,234</u>

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$316,738	152,054
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Prepays used in governmental activities are reported as expenditures in the period they are acquired	5,996
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Some liabilities, including bonds payable, are not due and payable in the current period and therefore are reported in the funds	<u>(5,260)</u>
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Net assets of government activities	<u>\$ 1,060,024</u>
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The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND
Year Ended December 31, 2008

Revenues:	
Ad valorem taxes	\$ 389,951
Interest	18,978
Insurance proceeds	3,896
Amortization of bond premium	(485)
Other	<u>15,000</u>
Total revenues	<u>427,340</u>
Expenditures:	
Drainage:	
Salaries and benefits	84,946
Per diem (Board of Commissioners)	2,700
Operating services	90,791
Materials and supplies	41,251
Repairs and maintenance	24,080
Intergovernmental	9,717
Miscellaneous	19,123
Interest expense	505
Amortization of capital lease	<u>8,665</u>
Total expenditures	<u>281,778</u>
Excess revenues over expenditures	145,562
Fund balance - beginning	<u>761,672</u>
Fund balance - ending	<u>\$ 907,234</u>

(continued on next page)

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND
Year Ended December 31, 2008
(Continued)

Reconciliation of the change in fund balances - total
governmental funds to the change in net assets of
governmental activities:

Net change in fund balances - total governmental funds \$ 145,562

Amounts reported for governmental activities in the
statement of net assets are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the costs of
those assets is allocated over their estimated useful
lives and reported as depreciation expense. This is
the amount by which capital outlays exceeded depreciation
in the current period. 8,844

Governmental funds report prepaids as expenditures.
However, in the statement of net assets the cost of
these items are allocated over the period covered by
the expenditure. This is the amount by which current
year prepaids exceeded prior year prepaids. 1,428

Payment of capital lease is an expenditure in the
governmental funds, but the repayment reduces
long-term liabilities in the statement of net assets 8,665

Change in net assets of governmental activities \$ 164,499

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

1. Nature of Business

Gravity Drainage District No. 7 of Cameron Parish (the District) is a corporate body created by the Cameron Parish Police Jury, as provided by Louisiana Revised Statute 38:1751-1802. The District is governed by a board of five commissioners who are appointed by the Cameron Parish Police Jury. The Drainage District is authorized to construct, maintain and improve the system of gravity drainage within the District. The District covers 397 square miles and serves an approximate population of 935.

2. Summary of Significant Accounting Policies

The accounting policies of the Gravity Drainage District No. 7 of Cameron Parish conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Drainage District is a component unit of the Cameron Parish Police Jury, the governing body of the Parish. The District is financially accountable to the Police Jury since the Police Jury appoints a majority of the District's board members. The accompanying financial statements present information only on the funds and account groups maintained by the Drainage District and do not present information on the Cameron Parish Police Jury.

B. Change in Accounting Principles

The District adopted the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34) and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33) for the year ended December 31, 2003. Statement 34 establishes financial

reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. This had an impact on capital assets, the presentation of net assets and the inclusion of management's discussion and analysis.

C. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity.

FUND FINANCIAL STATEMENTS

The financial transactions of the Fund are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the District. It accounts for all financial resources.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, the following practices are utilized in recording revenues and expenditures:

Revenues - The governmental fund type uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are property taxes, intergovernmental, and interest revenue.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Budgets and Budgetary Accounting

Annually, the District adopts a revenue and expenditure budget for the general fund. A forecast of revenues and expenditures is made based upon the prior year's expenditures, taking into consideration additional expenditures that can be predetermined and estimated. Amendment to the budget is required when actual receipts for the year fail to meet budgeted revenues by five percent or more, or when actual expenditures for the year exceed budgeted expenditures by five percent or more.

The budget is adopted on the cash basis method of accounting. Budgetary comparisons presented in this report are on this non-GAAP budgetary basis. Budget amounts are as originally adopted, adjusted for subsequent amendments.

Encumbrance accounting is not used.

F. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand deposits, savings accounts and certificates of deposit maturing within one year. Investments include certificates of deposit and bonds maturing in more than one year.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

The District has stated all other investments, not included above, at fair value as of December 31, 2008, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value was determined by obtaining "quoted" year end market prices.

G. Capital Assets and Depreciation

In the government-wide financial statements, capital assets (other than infrastructure) purchased or acquired with an original cost of \$2,500 or more are reported at historical cost. A capitalization threshold of \$100,000 is used for infrastructure such as drainage systems. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Computer equipment, including software	5 - 10 years
Furniture and office equipment	5 - 10 years
Buildings and improvements	15 - 40 years
Infrastructure	40 years

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition. Capital assets reported herein include only those assets purchased by the District and do not reflect assets of the district obtained from other sources. The District has no infrastructure assets.

H. Fund Balances and Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Net assets are segregated into three categories on the government-wide statement of net assets: 1) investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

The District has reserved a portion of the fund balance for prepaid insurance and for a percentage of taxes paid under protest. See Note 7.

I. Levied Taxes

Ad valorem taxes are assessed on a calendar year basis (levied in October), become due on November 15 of each year, and become delinquent on December 31. The lien date is the date in which the tax assessor files the tax roll with the Clerk of Court, which is the same date as the levy date. The taxes are generally collected in December of the current year and January and February of the ensuing year. The property tax receivable of \$296,362 for 2008 and \$213,833 for 2007 is net of an estimate of uncollectible amount of \$-0-. Management believes any credit risk related to this receivable is minimal.

Ad valorem taxes are levied on the assessed value as of the prior January 1 for all real estate, merchandise, and movable property located in the Parish. Assessed values are established by the Cameron Parish Assessor and the Louisiana Tax Commission at a percent of actual value, as specified by Louisiana law. An assessment of all property is required to be completed no less than every four years. The authorized and levied ad valorem tax is 4.66 millage (2008) and 5.00 millage (2007).

J. Vacation/Sick Leave and Pension Plan

The full time employee's salary is paid by the Cameron Parish Police Jury and his retirement and vacation benefits are established and provided by the Police Jury since the individual is an employee of the Police Jury. The District does reimburse the Police Jury for the salaries and benefits of individuals specifically working with this district's activities. The District does not provide any direct benefits in the form of retirement or vacation.

3. Cash and Cash Equivalents

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The District's bank and demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the District's name.

4. Investments

Louisiana state statutes authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, investment as stipulated in R.S. 39:12171, or any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

As of December 31, 2008, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Money market	\$ 856	\$ 856	\$ -	\$ -	\$ -
Money funds	117,864	117,864	-	-	-
Mortgage backed securities	280,072	-	-	-	280,072
	<u>\$ 398,792</u>	<u>\$ 118,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,072</u>

Interest rate risk. The District's investment policy does not address interest rate risk.

Credit risk. In accordance with state law, the District limits investments to the following:

1. Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. government.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the U.S., including U.S. Export Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, Government National Mortgage Association (guaranteed mortgage-backed bonds and guaranteed pass-through obligations), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing and Urban Development.
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored, including Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Resolution Funding Corporation.
4. Direct security repurchase agreements of any federal bank entry only securities enumerated above.
5. Time certificates of deposit of state banks organized under the laws of Louisiana or national banks having their principal offices in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, or share accounts and share certificate accounts of federally or state chartered credit unions issuing time certificates of deposit; provided that the rate of interest paid for time certificates of deposit shall be not less than fifty basis points below the prevailing market interest rate on direct obligations of the U.S. Treasury with a similar length of maturity.
6. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies.

As of December 31, 2008, all of the District's investments were held according to policy.

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At December 31, 2008, the reported value of investments includes a \$485 accumulated premium amortization and a \$4,287 differential between the cost of \$403,079 and market value of \$398,792.

5. Capital Assets

Capital asset activity for the years ended December 31, 2008 was as follows:

	Balance 1/1/08	Increases	Decreases	Balance 12/31/08
Buildings and improvements	\$ 79,534	\$ 11,973	\$ -	\$ 91,507
Equipment	327,925	13,441	-	341,366
Accumulated depreciation	(289,387)	(12,982)	-	(302,369)
Capital assets, net	<u>\$ 118,072</u>	<u>\$ 12,432</u>	<u>\$ -</u>	<u>\$ 130,504</u>

6. Capital Leases

The District is the lessee of a Bobcat Excavator under capital leases expiring in the various years through 2009. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized (or depreciated) over the lower of their related lease terms or their estimated productive lives. Amortization (or depreciation) of assets under capital leases is included in depreciation expense for 2008.

Amortization on assets under capital leases charged to expense in 2008 was \$3,592.

Following is a summary of property held under capital leases:

	2008
Excavation equipment	\$ 35,916
Less accumulated amortization	<u>14,366</u>
	<u>\$ 21,550</u>

Minimum future lease payments under capital leases as of December 31, 2008 for each of the next five years and in the aggregate are:

<u>Year Ended December 31</u>	<u>Amount</u>
2009	\$ 5,350
2010	-
2011	-
2012	-
2013	-
Subsequent to 2012	<u>-</u>
Total minimum lease payments	<u>\$ 5,350</u>

Net minimum lease payments	\$ 5,350
Less amount representing interest	<u>(90)</u>
Present value of net minimum lease payments	<u>\$ 5,260</u>

The interest rate on the capitalized lease is 5.060% and is imputed based on the lower of Company's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

7. Insurance

The District participates in the Insurance and Trust Fund established by the Cameron Parish Police Jury (an entity other than a public entity risk pool) for purposes of obtaining better rates on the District's general liability insurance and errors and omissions insurance.

The Police Jury (as an oversight entity) purchases commercial insurance for all of the above risks. The coverage obtained is similar to prior years and the District has not been required to fund any excess amounts for settlements exceeding insurance coverage. The Cameron Parish Police Jury has also denoted that they did not incur any claim in excess of insurance coverage. For the 2007-2008 and 2006-2007 policy period, the District contributed approximately \$4,504 and \$3,478, respectively, to the Insurance and Trust Fund. The payment should constitute the majority of the responsibility of the District. The District does have separate insurance policies on their office building and on specific equipment items with premiums of \$3,280 and \$5,702 for 2008.

8. Contingency for Taxes Paid Under Protest

As of December 31, 2008 and 2007 the District has received taxes paid under protest from the Cameron Parish Tax Collector's Office with an estimated 40% subject to judgment. In the event the taxpayer is successful with his protest, the judgment in favor of the taxpayer may operate as a credit against future taxes or may require a cash payment out of future tax receipts. Under the provisions of Louisiana Revised Statute 47:1856E, any funds received as payment of taxes under protest shall generally be used only for non-recurring expenses. The District has segregated a portion of the fund balance for its estimate of the portion of the receivable subject to judgment and, therefore, not available for recurring expenses.

	<u>2008</u>
Balance of amounts received under protest	\$ 67,881
Reserved for taxes paid under protest	27,152

9. Other Contingencies

Management has represented that there is no litigation pending against the Gravity Drainage District No. 7 at December 31, 2008 and 2007.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2008 and 2007

Required supplementary information includes financial information and disclosures that are required by GASB and are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary (Non-GAAP) Basis
- Note to Required Supplementary Information - Budgetary Reporting

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes and state revenue sharing	\$ 200,000	\$ 210,257	\$ 228,461	\$ 18,204
Interest earnings	250	388	19,345	18,957
Other	83,406	86,118	103,200	17,082
Total revenues	<u>283,656</u>	<u>296,763</u>	<u>351,006</u>	<u>54,243</u>
Expenditures:				
Per diem (Board of Commissioners)	3,000	2,600	2,700	(100)
Salaries and payroll taxes	70,000	90,000	83,666	6,334
Contract labor	5,000	12,810	11,109	1,701
Operating services	109,800	121,212	108,449	12,763
Materials and supplies	26,000	40,582	64,905	(24,323)
Travel	1,000	1,300	1,517	(217)
Intergovernmental charges	-	-	7,063	(7,063)
Lease payments:				
Capital	9,200	9,170	8,665	505
Interest	-	-	505	(505)
Total expenditures	<u>224,000</u>	<u>277,674</u>	<u>288,579</u>	<u>(10,905)</u>
Excess (deficiency) of revenues over expenditures	59,656	19,089	62,427	65,148
Fund balance - beginning	<u>626,303</u>	<u>626,303</u>	<u>626,303</u>	<u>15,887</u>
Fund balance - ending	<u>\$ 685,959</u>	<u>\$ 645,392</u>	<u>\$ 688,730</u>	<u>\$ 81,035</u>

The accompanying note is an integral part of this schedule.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING

The accompanying budgetary comparison schedule presents comparisons of the adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basic, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the years ended December 31, 2008 is presented below:

	<u>2008</u>
Excess of revenues and other financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 62,427
Adjustments:	
To adjust revenues for property tax and interest revenue accruals	76,720
To adjust expenditures for expense accruals prepaid insurance, and prepaid lease	<u>6,415</u>
Excess of expenditures and other financial resources over revenues and other uses of financial resources (GAAP basis)	<u>\$ 145,562</u>

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
December 31, 2008

PER DIEM PAID TO BOARD MEMBERS

Per diem and other compensation amounts paid to the Board of Commissioners for the year ended December 31, 2008 are as follows:

	<u>2008</u>
Rogerest Romero	\$ 600
Carroll Trahan	650
Ivan Barentine	400
Curtis Trahan	650
Ricky Romero	<u>400</u>
Total	<u>\$ 2,700</u>

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David M. DesOrmeaux, CPA



Otray J. Woods, Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Inactive
Barbara Hurson Gonzales, CPA, Retired
Judson J. McCann, Jr., CPA, Retired
Martin L. Chehotsky, CPA, CFE

CFE - Certified Fraud Examiner
MT - Master of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Gravity Drainage District No. 7
of Cameron Parish
Cameron, Louisiana

We have audited the component unit financial statements of the governmental activities of the Gravity Drainage District No. 7 as of and for the year ended December 31, 2008, which comprises the Gravity Drainage District No. 7's basic financial statements and have issued our report thereon dated September 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Gravity Drainage District No. 7's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the component unit financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gravity Drainage District No. 7's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gravity Drainage District No. 7's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Gravity Drainage District No. 7's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Gravity Drainage District No. 7's financial statements that is more than inconsequential will not be prevented or detected by the Gravity Drainage District No. 7's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of questioned costs as items 08-1 through 08-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Gravity Drainage District No. 7's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that items 08-1 through 08-4 described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gravity Drainage District No. 7's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 08-4.

The Gravity Drainage District No. 7's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Gravity Drainage District No. 7's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Gravity Drainage District No. 7 of Cameron Parish, management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
September 23, 2009

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2008

Section I - Summary of Auditor's Reports/Results

1. The type of report issued on the financial statements was an unqualified opinion.

2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control Material Weaknesses X Yes No

Internal Control Significant Deficiency X Yes No

Compliance Material to Financial Statements X Yes No

3. Federal Awards

Not Applicable

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2008

(Continued)

08-01 Segregation of Duties

Condition: Because of the District's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We have considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties. Management has attempted to mitigate this weakness by its supervision and review procedures.

08-02 Physical Inventory of Fixed Assets is Needed

Condition: Our discussions with management and our review of the detailed fixed asset records reveals that numerous assets recorded on the District's records have been disposed of or are no longer in use.

Criteria: Effective internal controls require an accurate count of fixed assets.

Effect: Without procedures in place to accurately count fixed assets, errors within the financial records or fraud could go undetected.

Recommendation: We believe that this indicates the need for a complete physical inventory of fixed assets. This procedure will provide the District with an accurate inventory of fixed assets. The resulting fixed asset listing also will provide a strong source of detail and control to establish a future system of safeguards for fixed assets.

Response: We have considered this weakness and will implement the recommended procedures.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2008
(Continued)

08-03 District Accounting Personnel Skills

Condition: In our judgment, the District's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatement in financial statements could go undetected.

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

08-04 Audit Report Issued After Statutory Deadline

Condition: The December 31, 2008 financial statements were not filed with the Legislative Auditor's office by the due date of June 30, 2009 as required by LSA-RS 24:514.

Criteria: The Legislative Auditor generally requires audited financial statements to be filed within six months after the fiscal year end of government entities.

Effect: The District is not in compliance with LSA-RS 24:514.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2008
(Continued)

Recommendation: Steps should be taken to ensure all audit reports be issued in a timely manner.

Response: Cameron Parish Gravity Drainage District No. 7 received an extended due date of September 30, 2009 due to Hurricane Gustav.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
December 31, 2008

Finding: Lack of segregation of duties

Status: Due to the entity's size, there is an ongoing lack of segregation of duties. Refer to discussion cited as 08-01 on page 29.

Finding: Failure to prepare monthly bank reconciliations

Status: Recommended procedures were implemented during the 2008 audit year.

Finding: A physical inventory of fixed assets is needed

Status: Recommended procedures were not implemented during the 2008 audit year. Refer to discussion cited as 08-02 on page 29.

Finding: A capitalization policy needs to be implemented

Status: Recommended procedures were implemented during the 2008 audit year.

Finding: Status of insurance coverage is unclear

Status: Recommended procedures were implemented during the 2008 audit year.

Finding: The District's accounting personnel and those charged with governance lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles.

Status: Due to the entity's lack of resources, this is a recurring finding. Refer to discussion cited as 08-03 on page 30.